

## DEVELOPMENTS

# San Antonio Corrals Big Business Bucks

By NEAL TEMPLIN

Staff Reporter of THE WALL STREET JOURNAL

SAN ANTONIO

**I**N THE WOODS some 15 miles northwest of downtown, the call of business is being heard. Capital Group Cos., Los Angeles, which operates the American family of mutual funds, joins the thrift World Savings, television-shopping concern QVC Inc. and a growing number of other firms that have located telemarketing centers here. Nearly all are coming to affluent northwest San Antonio, where corporate campuses are springing up like wildflowers in the oak-covered hills, helping transform this once sleepy military town.

"You're going to see a major economic corridor out here," predicts Marty Wender, the biggest developer in the rapidly growing Westover Hills area, where Capital Group is building a 400,000-square-foot building. Yet, Mr. Wender recalls that people "laughed" at him in the early 1980s when he first bought land out here because it seemed so far removed.

For decades, San Antonio didn't need to worry all that much about courting new companies. It knew it could count on steady growth from its five military bases and thriving tourist industry. The result was that Dallas and Houston shot right by San Antonio, the state's biggest city as recently as the 1930s. Today, the greater San Antonio area has a population of 1.5 million people, while the Houston and Dallas-Fort Worth areas each have more than 4 million people.

Now San Antonio is aggressively encouraging cor-



Flash Rosenberg

porate relocations, and the efforts are paying off. Employment rose a healthy 2.4% in the past year, outpacing national job growth of 2.2% in the same period.

Among the city's appeals: inexpensive housing and its location on Interstate 35, the main artery into Mexico. San Antonio has been luring an increasing number of firms doing business in Mexico, especially since the passage of the North American Free Trade Agreement. Takata Corp., a major seat-belt supplier, this year opened a small plant in Westover Hills to produce metal components that

will be assembled into seat belts in Mexico.

San Antonio's biggest attraction to employers, however, is cheap and ample labor. Thirty-three percent of its population is less than 20 years old, compared to 29% nationally, according to economist Patrick Howie of Regional Financial Associates, based in West Chester, Pa. This means that tens of thousands of new workers enter the San Antonio work force every year. That has helped the city attract businesses, such as telemarketing centers. An estimated 16,000 San Antonians now work in these centers and almost all the jobs have been added since 1990, says Mario Hernandez, president of the San Antonio Economic Development Foundation, a nonprofit group.

"San Antonio is a very good market for employees," says a spokesman for WorldCom Inc., a Jackson, Miss., communications company, which is planning to start construction this year on a campus-style call center north of the city that will ultimately employ as many as 2,500. Like the rest of Texas, San Antonio was flooded with new office construction in the 1970s and 1980s. The city has gradually rented most of the empty office space and its overall vacancy rate is now at 11%. Nonetheless, annual rents, which average around \$16 a square foot in prime buildings, still aren't sufficient to justify construction of new speculative office buildings.

Instead, the office boom in San Antonio is being dominated by owner-occupied buildings. Some are going on the Interstate 10 corridor north of downtown, which runs right through the middle of some of the city's most affluent residential neighborhoods. Interstate 10 has long been home to the hulking 5.2 million-square-foot headquarters of USAA, the rapidly growing insurance company with more than 10,000 employees in the city. USAA's real-estate arm is developing another 1600-acre project farther north on Interstate 10 called La Cantera that has room for more than 2 million square feet of offices. And oil refiner and marketer, Ultramar Diamond Shamrock Corp., which currently rents office space, is constructing a 225,000-square-foot headquarters building on Interstate 10 near the La Cantera development.

But the most dramatic transformation is occurring in Westover Hills, which was undeveloped ranch land until recently. Now, more than 7,000 workers are employed there, and that number will swell to 14,000 when the existing companies finish all the buildings planned on their land. Capital Group, for example, will have 600 employees initially in its new building but ultimately expects to have 1,300. All these new jobs will soon bring a flurry of residential and retail construction in the still-rural area, predicts developer Mike Jaffe, who recently built a shopping center along Interstate 10.

"Where the jobs are, the rooftops follow," Mr. Jaffe says. "Where the rooftops are, the shopping centers follow."